

ORIGINAL



0000035682

Lance J.M. Steinhart, P.C.

1720 Windward Concourse

Suite 250

Alpharetta, Georgia 30005

Also Admitted in New York
and Maryland

Telephone:(770) 232-9200

Facsimile:(770) 232-9208

Email: lsteinhart@telecomcounsel.com

December 1, 2005

VIA OVERNIGHT DELIVERY

Docket Control

Arizona Corporation Commission

1200 W. Washington Street

Phoenix, Arizona 85007

(602) 542-2237

Re: Inter-Tel NetSolutions, Inc.
Docket No. T-02585A-05-0710

Dear Sir/Madam:

Enclosed please find for filing an original and thirteen (13) copies of Inter-Tel NetSolutions, Inc.'s responses to the Commission's request for information in Inter-Tel NetSolutions, Inc.'s Application and Petition for Certificate of Public Convenience and Necessity to Provide Competitive Intrastate Telecommunications.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage prepaid envelope.

If you have any questions or if I may provide you with additional information, please do not hesitate to contact me.

Respectfully submitted,

Charlotte Lacey

Legal Assistant to Lance J.M. Steinhart

Attorney for Inter-Tel NetSolutions, Inc.

cc: Jon Brinton
Michael W. Patten, Esq. (facilities based only - via 2-Day Delivery)
David Ronald, Staff Attorney
Armando Fimbres, Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 DEC - 8 / P 3: 00

RECEIVED

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.1 Please complete question (A-1) properly.

ANSWER: Inter-Tel NetSolutions, Inc. intends to provide resold local exchange telecommunications services.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.2 Please confirm if question (A-3) is complete as submitted in the Inter-Tel's application.

ANSWER: The Applicant is not doing business under a name different from that listed in Item (A-2): Inter-Tel NetSolutions, Inc.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.3 Please confirm if question (A-7) is complete as submitted in the Inter-Tel's application.

ANSWER: The Applicant is a "C" Corporation organized in the State of Texas.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.4 Inter-Tel NetSolutions is a wholly-owned subsidiary of Inter-Tel, Inc. Please provide the percentage ownership of Inter-Tel, Inc. of each person listed in (A-8-2).

ANSWER: Inter-tel, Inc. is 100% shareholder of Inter-Tel NetSolutions, Inc.

Steven G. Mihaylo	19.4%
Craig W. Rauchle	1.7%
Norman Stout	1.4%
All directors and executive officers as a group (9 persons)	24.1%

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.5 Please confirm the page references indicated in (A-9) for Attachment B, Inter-Tel's tariff.

ANSWER: The page references indicated in A-9 are correct.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.6 Please confirm that Inter-Tel's tariff does not call for the collection of Deposits, Advances and/or Prepayments applicable to the provision of Services (A-9-4).

ANSWER: Inter-Tel does not collect deposits or advance payments.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.7 Please provide the tariff page reference for Inter-Tel's maximum rate associated with the Returned Check Charge of \$25, found on page 129, Section 10.2.16. (A-9-5)?

ANSWER: Please see attached replacement tariff page 31 to reference the returned check charge.

SECTION 2.0 - REGULATIONS, (CONT'D.)**2.5 Payment Arrangements, (Cont'd.)****2.5.2 Billing and Collection of Charges, (Cont'd.)**

- C. When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have thirty (30) days.
- D. Billing of the Customer by the Company will begin on the Service Commencement Date, which is the first day following the date on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.
- E. If any portion of the payment is not received by the Company, or if any portion of the payment is received by the Company in funds that are not immediately available, within twenty (20) days of the mail date on the bill, then a late payment penalty shall be due the Company. The late payment penalty shall be that portion of the payment not received by the date due minus any charges billed as local taxes multiplied by 1.5%.
- F. The Customer will be assessed a returned check charge of twenty-five (\$25.00) for each check or other payment type submitted by the Customer to the Company that a bank or financial institution refuses to honor. See Section 10, Page 9 for current charges.
- G. If service is disconnected by the Company in accordance with Section 2.5.6 following and later restored, restoration of service will be subject to all applicable installation charges.

Issued: October 10, 2005

Issued by:

Jon Brinton
President4310 East Cotton Center Blvd., Suite A-100
Phoenix, Arizona 85040

Effective: November 9, 2005

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.8 Related to (A-10), please clarify if Inter-Tel proposes to serve only Business or Residence or both market segments?

ANSWER: The company intends to provide service to residential and business customers throughout the State of Arizona.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.9 Please confirm that Inter-Tel is not submitting information pertaining to (A-15).

ANSWER: Inter-Tel is not submitting information pertaining to (A-15).

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.10 Please the completed information requested by (A-16).

ANSWER: Legal notice will be published when prepared by the Commission.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.11 Related to (A-17), please explain if Inter-Tel's plans are impacted by the potential acquisitions of AT&T and MCI by SBC and Verizon, respectively.

ANSWER: No, Inter-tel's plans will not be impacted.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.12 Please explain if Inter-Tel's application response to (A-18) means that the Company is authorized to provide long distance in all fifty states within the U.S. If not authorized, please clarify in which States Inter-Tel is not authorized to provide long distance service.

ANSWER: The applicant is authorized to provide long distance service in all 50 states.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.13 Has Inter-Tel been granted or denied any applications for Certificates of Public Convenience and Necessity by the Arizona Corporation Commission? If yes, please provide the decision numbers for each case.

ANSWER: Yes, Inter-tel is authorized to provide long distance service in Arizona. See Docket No. T-02585A-91-0017.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.14 Related to (A-20), please explain if Inter-Tel has any affiliates in Arizona providing telecommunications services.

ANSWER: Inter-tel has no affiliates in Arizona providing telecommunications services.

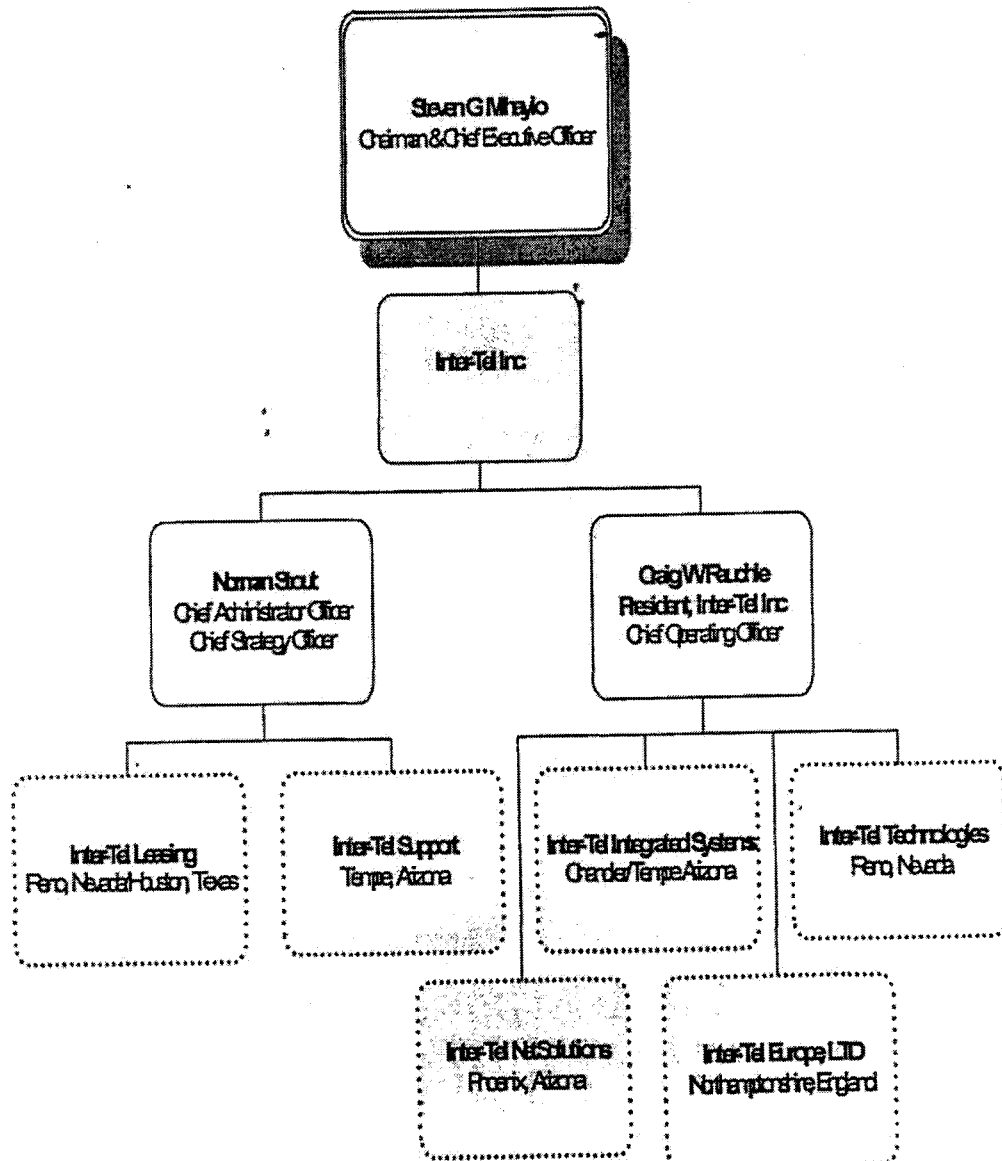
**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.15 Pertaining to (A-20), please provide an organization chart that shows all affiliates and subsidiaries for Inter-Tel, Inc

ANSWER: See attached chart.



Company Divisions & Executives



**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.16 If the answer to (B-1) is yes, when did Inter-Tel NetSolutions begin operation?

ANSWER: Please attached Page 6 (B-1) of the application, appropriately marked.

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

☒ Yes

☐ No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

The company intends to resell services provided by AT&T, MCI and XO

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

Approved: The applicant is authorized to provide long distance service throughout the United States.

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona.

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

The applicant is authorized to provide local exchange service in Colorado, Georgia, Illinois, Missouri, New Jersey, New York and Texas.

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

None.

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

☒ Yes

☐ No

If "No," explain why and give the date on which the Applicant began operations.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

**ARIZONA CORPORATION COMMISSION
STAFF'S FIRST SET OF DATA REQUESTS TO
INTER-TEL NETSOLUTIONS, INC. ("Inter-Tel")
Docket T-02585A-05-0710
November 7, 2005**

STF 1.17 Related to (B-2), please provide financial statements (balance sheets, income statements, and other reports as applicable) for Inter-Tel NetSolutions, specifically.

ANSWER: Please see attached.

INTER-TEL, INC & SUBSIDIARIES
UNAUDITED PROFORMA FINANCIAL STATEMENTS

YTD 03-31-05

INTER-TEL NETSOLUTIONS, INC.

DUNS: 62-331-4663
EIN 76-0311713

CURRENT ASSETS		CURRENT LIABILITIES		SALES	
CASH	0	ACCTS PAY	2,068,531		12,376,406
ACCTS REC	5,004,958	ACCRUED EXP	2,169,243	COST OF GOODS SOLD	8,475,358
INVENTORY	0	CUSTOMER DEPOSITS	0	GROSS PROFIT	3,901,048
LEASE REC		INC TAXES PAY	0	OPERATING EXPENSE	2,004,868
PPD EXP & OTHER CUR ASSETS	550,953	OTHER CUR LIABILITIES	0	OPERATING INCOME (LOSS)	1,896,180
		CURR PORTION LTD	0	OTHER INCOME	40,545
CURRENT ASSETS	5,555,911	CURRENT LIABILITIES	4,237,774	OTHER EXPENSE	229,445
		LONG-TERM DEBT	0	NET INCOME BEFORE TAXES	1,707,280
FIXTURES & EQUIPMENT	43,908	DEFERRED REVENUES & TAXES	28,888	INCOME TAXES	609,245
INTERCOMPANY RECEIVABLE	-110,784	COMMON STOCK	1,000	NET INCOME (LOSS)	1,098,035
OTHER ASSETS		RETAINED EARNINGS	1,221,373		
INVESTMENT IN SUBSIDIARIES		ESOP LOAN			
INVESTMENT & OTHER ASSETS					
TOTAL ASSETS	5,489,035	TOTAL LIABILITIES & EQUITY	5,489,035		

EMPLOYEES: 67

INTER-TEL, INC & SUBSIDIARIES
UNAUDITED PROFORMA FINANCIAL STATEMENTS

YTD 06-30-05

INTER-TEL NETSOLUTIONS, INC. DUNS: 62-331-4663
EIN 76-0311713

CURRENT ASSETS		CURRENT LIABILITIES		SALES	25,417,924
CASH	300,000	ACCTS PAY	3,055,631		
ACCTS REC	5,656,146	ACCRUED EXP	2,442,665	COST OF GOODS SOLD	17,023,428
INVENTORY	0	CUSTOMER DEPOSITS	0	GROSS PROFIT	8,394,496
LEASE REC		INC TAXES PAY	0	OPERATING EXPENSE	4,029,428
PPD EXP & OTHER CUR ASSETS	578,549	OTHER CUR LIABILITIES	0		
		CURR PORTION LTD	0	OPERATING INCOME (LOSS)	4,365,068
CURRENT ASSETS	6,534,695	CURRENT LIABILITIES	5,498,296	OTHER INCOME	70,833
		LONG-TERM DEBT	0	OTHER EXPENSE	480,479
FIXTURES & EQUIPMENT	36,434	DEFERRED REVENUES & TAXES	28,888	NET INCOME BEFORE TAXES	3,945,422
INTERCOMPANY RECEIVABLE	1,601,511	COMMON STOCK	1,000	INCOME TAXES	1,424,297
OTHER ASSETS		RETAINED EARNINGS	2,644,456	NET INCOME (LOSS)	2,521,125
INVESTMENT IN SUBSIDIARIES		ESOP LOAN			
INVESTMENT & OTHER ASSETS					
TOTAL ASSETS	8,172,640	TOTAL LIABILITIES & EQUITY	8,172,640		

EMPLOYS: 67

INTER-TEL, INC & SUBSIDIARIES
UNAUDITED PROFORMA FINANCIAL STATEMENTS

YTD 09-30-05

INTER-TEL NETSOLUTIONS, INC.

DUNS: 62-331-4663
EIN 76-0311713

CURRENT ASSETS		CURRENT LIABILITIES		SALES	
CASH	300,000	ACCTS PAY	2,838,251		38,790,689
ACCTS REC	5,934,411	ACCRUED EXP	2,689,210	COST OF GOODS SOLD	26,041,870
INVENTORY	0	CUSTOMER DEPOSITS	0	GROSS PROFIT	12,748,819
LEASE REC		INC TAXES PAY	0	OPERATING EXPENSE	6,003,606
PPD EXP & OTHER CUR ASSETS	811,520	OTHER CUR LIABILITIES	0		
		CURR PORTION LTD	0		
CURRENT ASSETS	7,045,931	CURRENT LIABILITIES	5,527,461	OPERATING INCOME (LOSS)	6,745,213
		LONG-TERM DEBT	0	OTHER INCOME	108,487
FIXTURES & EQUIPMENT	31,897	DEFERRED REVENUES & TAXES	28,888	OTHER EXPENSE	735,185
INTERCOMPANY RECEIVABLE	2,579,887	COMMON STOCK	1,000	NET INCOME BEFORE TAXES	6,118,515
OTHER ASSETS		RETAINED EARNINGS	4,100,366	INCOME TAXES	2,141,480
INVESTMENT IN SUBSIDIARIES		ESOP LOAN		NET INCOME (LOSS)	3,977,035
INVESTMENT & OTHER ASSETS					
TOTAL ASSETS	9,657,715	TOTAL LIABILITIES & EQUITY	9,657,715		

EMPLOYS: 67